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**STANWELL  
OIL  
& GAS  
LIMITED**

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***ANNUAL REPORT***

31st DECEMBER, 1965

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# STANWELL OIL & GAS LIMITED

(No Personal Liability)

## CAPITAL

Authorized.....4,000,000 shares par value \$1.00

Issued.....3,733,334 shares

## DIRECTORS AND OFFICERS

ROBERT S. BOOKBINDER, Miami, Florida.....*President and Director*

DEAN S. DIGNAM, Toronto.....*Vice-President and Director*

JOHN C. MEYER, Miami, Florida.....*Treasurer and Director*

DANIEL E. WILLITS, Wardsville, Ontario.....*Assistant Secretary and Director*

LAWRENCE H. SKEEN, Coral Gables, Florida.....*Director*

GEOFFREY C. TEUTEN, London, England.....*Director*

MURRAY COOPER, Toronto.....*Secretary*

## HEAD OFFICE

Suite 811, 372 Bay St.

Toronto, Ontario

## AUDITORS

Gunn, Roberts and Co.

Toronto, Ontario

## REGISTRAR AND TRANSFER AGENT

EASTERN AND CHARTERED TRUST COMPANY

Toronto, Ontario

Shares are listed on the following exchanges:

Toronto Stock Exchange

Canadian Stock Exchange

Calgary Stock Exchange

Vancouver Stock Exchange

London England Stock Exchange



To the Shareholders:

## STANWELL OIL & GAS LIMITED

Your Directors present herewith the Annual Report of your Company including the Financial Statements and Auditors' Report for the fiscal year ended December 31st, 1965.

As advised by a Progress Report to Shareholders in September 1965 the sale of the Petroleum and Natural Gas Interests outside the Province of Ontario was concluded and to date the sum of \$608,000. has been received against the \$625,000. purchase offer. This sale does not divest the Company entirely of Gas and Oil Holdings. It continues to have a 50% interest with Anchor Petroleums Limited in 700 acres of Petroleum and Natural Gas leases in Sombra Township, in South Western Ontario. During 1965 four successful crude oil wells were drilled. The oil obtained is a high grade paraffin base oil marketing in excess of \$3.00 per barrel. A treatment center to prepare and store the oil for sale was also constructed and the Company expects to have full production of these four wells commencing this summer. It is anticipated that at least one additional well will be drilled in the area during 1966.

For the past several years the Company has owned 688,009 shares of Lincoln Hotels Limited, Lincoln, England. When an offer to purchase was received late in 1965 your Directors considered it desirable to repatriate these funds and all but 8000 shares of the stock was sold for a profit of approximately \$50,000.

To further expand the Company's Industrial program a 10.4% share interest was purchased in an American Company, Friendly Frost Inc., which is listed on the American Stock Exchange, New York City. That Company is engaged in retailing major household appliances throughout the New York and nearby areas. Its net sales and operating revenues for the year ended January 31, 1966 were reported to be \$18,897,000. Initial negotiations were made with a view to a possible acquisition of working control. The stock was purchased at a price of \$2.82 U.S. per share.

The Company took ownership of the Concord Office Building at the end of the fiscal year. The purchase was completed by a placement of a mortgage with a large insurance company in the United States, and by an offset of cash advances made to our subsidiary Concord Shopping Center, Inc., during 1965. This office building is a modern 12-storey structure in downtown Miami, Florida directly across from the Dade County Court House and immediately east of the U.S. Federal Building. An independent appraisal places the value of the property at a figure in excess of \$1,600,000. The rental roll is projected at \$315,000. per annum and is now better than 80% rented, primarily by legal firms. Your Directors are confident that this asset will not only appreciate in value but should provide a good source of income for the Company. In addition, the Company still retains its 62.5% interest in the assets of the Concord Shopping Center, Inc., which consists of a shopping plaza at 11333 S. W. Bird Road, Miami, Florida, and 55 acres of adjoining undeveloped land. Management is presently considering the advisability of acquiring the balance of the shares of Concord Shopping Center, Inc. to make this a wholly owned subsidiary.

It is apparent from the foregoing that Stanwell has finally completed the transition from an oil and gas to an industrial Company. To comply with one of the policy rulings of the Toronto Stock Exchange it will now be necessary to change the name and share structure of the Company and to accomplish this a special meeting of shareholders will be called later this year.

On behalf of the Board of Directors,

*ROBERT S. BOOKBINDER*  
President.

Toronto, July 6, 1966

# STANWELL OIL & GAS LIMITED

(Incorporated under the laws of the Province of Ontario)

## BALANCE SHEET — DECEMBER 31, 1965

### ASSETS

#### CURRENT ASSETS

Cash .....	\$ 6,781	
Short term investments .....	75,000	
Receivable for securities sold (received January 4, 1966) .....	493,333	
Accounts receivable .....	93,310	
Due from Directors .....	7,519	\$ 675,943

#### INTEREST IN SUBSIDIARY COMPANY (Note 1)

Concord Shopping Center, Inc.		
Shares at cost less amounts written off .....	313,172	
Advances .....	362,522	675,694

#### SHARES IN OTHER COMPANIES AT COST

(quoted market value \$330,000) .....		309,449
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#### CAPITAL ASSETS

Land and office building, Florida, at cost (Note 2) .....	1,606,031	
Furniture and fixtures at cost .....	\$14,312	
Less accumulated depreciation .....	1,812	12,500
Oil leases and development costs thereon .....	76,867	1,695,398

#### OTHER ASSETS AND DEFERRED EXPENDITURES

Prepaid expenses and sundry deposits .....	13,862	
Incorporation and recapitalization expense deferred .....	12,381	26,243
		<u>\$3,382,727</u>

### LIABILITIES

#### CURRENT LIABILITIES

Accounts payable .....		\$ 58,693
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MORTGAGE ADVANCES (U.S. \$1,065,000) (Note 2) .....		1,144,875
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#### SHAREHOLDERS' EQUITY

##### Capital stock

Authorized — 4,000,000 shares of \$1 each		
Issued — 3,733,334 shares .....	\$3,733,334	
Deduct discount less premium on shares .....	160,000	
	3,573,334	
Deduct deficit .....	1,394,175	2,179,159
		<u>\$3,382,727</u>

Approved on behalf of the Board:

ROBERT S. BOOKBINDER, Director

DEAN S. DIGNAM, Director



# STANWELL OIL & GAS LIMITED

## STATEMENT OF INCOME

For the period May 7, 1965 to December 31, 1965

### REVENUE

Oil sales .....	\$ 5,914	
Less operating expenses .....	14,890	\$ (8,976)
Interest and dividends .....		19,338
		<u>10,362</u>

### ADMINISTRATIVE AND GENERAL EXPENSES

Accounting and secretarial services .....	7,800	
Directors' fees .....	1,960	
Executive salaries .....	18,558	
Legal fees .....	31,651	
Audit fees .....	1,850	
Share issue and transfer expense .....	1,860	
Shareholders' information and meeting expense .....	3,616	
Travel expense .....	17,446	
Telephone and telegraph .....	9,232	
Depreciation .....	282	
Other expenses .....	2,131	
Investigations of other enterprises .....	*49,593	145,979
		<u>\$ 135,617</u>

### LOSS FOR THE PERIOD .....

\*For the year ended December 31, 1965

## STATEMENT OF DEFICIT

For the year ended December 31, 1965

Balance January 1, 1965 ..... \$ 539,778

### Add

Company's share of losses of Concord Shopping Center, Inc.		
Year ended September 30, 1964 .....	\$ 65,046	
Year ended September 30, 1965 .....	95,305	
Loss for the period May 7 to December 31, 1965 .....	135,617	
Loss on sale of oil and natural gas properties (Note 3) .....	606,159	
Accounts receivable written off .....	5,011	907,138
		<u>1,446,916</u>

### Deduct

Profit on sale of shares in Lincoln Hotels Limited ..... 52,741

Balance December 31, 1965 ..... \$1,394,175

# STANWELL OIL & GAS LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended December 31, 1965

SOURCE OF FUNDS		
Sale of interest in Lincoln Hotels Limited .....	\$ 493,333	
Sale of petroleum and natural gas interests .....	625,000	
Mortgage advances .....	1,144,875	\$2,263,208
APPLICATION OF FUNDS		
Purchase of land, office building and furniture, Florida .....	1,616,839	
Advances to Concord Shopping Center, Inc. ....	45,272	
Purchase of shares in Lincoln Hotels Limited .....	5,428	
Purchase of shares in Friendly Frost Inc. ....	303,911	
Exploration and administrative expenditures less income for the period January 1 to May 6 1965 .....	* 4,614	
Loss for the period May 7 to December 31, 1965 .....	*135,335	
Well drilling costs .....	76,401	
Other items .....	17,281	2,205,081
INCREASE IN WORKING CAPITAL .....		\$ 58,127
*Less depreciation not requiring cash outlay		
WORKING CAPITAL JANUARY 1, 1965 .....	\$ 559,123	
INCREASE .....	58,127	
WORKING CAPITAL DECEMBER 31, 1965 .....	\$ 617,250	

## STATEMENT OF EXPLORATION, DEVELOPMENT AND ADMINISTRATIVE EXPENDITURES

### SCHEDULE A

For the period January 1, 1965 to May 6, 1965

EXPLORATION AND DEVELOPMENT		
Petroleum and natural gas exploration		
Lease rentals and government fees .....	\$ (89)	
Engineering expenses .....	95	\$ 6
ADMINISTRATIVE AND GENERAL		
Accounting and secretarial services .....	3,700	
Executive salaries .....	6,319	
Legal fees .....	4,427	
Share issue and transfer expense .....	1,917	
Travel expense .....	5,262	
Telephone and telegraph .....	2,637	
Depreciation .....	141	
Other expenses .....	608	25,011
		25,017
<i>Deduct</i>		
Income from oil and gas production		
Sales .....	18,032	
Gross royalty income .....	764	
Operating expenses .....	(1,747)	
	17,049	
Interest and dividends received .....	3,213	20,262
Expenditures in excess of income for the period (Note 3) .....		\$ 4,755



# STANWELL OIL & GAS LIMITED

## NOTES TO FINANCIAL STATEMENTS

1. Consolidated financial statements have not been prepared as the operations of the subsidiary company are not similar to those of the parent company. In 1964 the company's proportion of the loss of Concord Shopping Center, Inc. for its fiscal year ended September 30, 1964 was not taken into the company's accounts. In 1965 the company's proportion of the loss for the subsidiary company's years ended September 30, 1964 and 1965 was charged to deficit.
2. Subsequent to the date of the balance sheet the company placed a mortgage on its land and office building in the amount of U.S. \$1,100,000 at 6% per annum, payable in monthly instalments of U.S. \$7,150 principal and interest from May 1, 1966 to October 1, 1990.
3. On May 6, 1965 the company sold all of its petroleum and natural gas interests, with the exception of those located in the Province of Ontario, for \$625,000. The assets sold and the applicable exploration and development costs were carried in the company's accounts as follows:

Acreage and royalty interest .....	\$ 792,269
Deferred exploration, development and administrative expenditures (including expenditures in excess of income for 1965 of \$4,755) .....	438,890
	<u>\$1,231,159</u>

4. The company has guaranteed a bank loan to Anchor Petroleum Limited in the amount of \$75,000.



## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Stanwell Oil & Gas Limited as at December 31, 1965 and the statements of income for the period May 7, 1965 to December 31, 1965 and deficit for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying balance sheet and statements of income and deficit present fairly the financial position of the company as at December 31, 1965 and the results of its operations for the periods then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice referred to in Note 1 to the financial statements.

We have also examined the accompanying statement of source and application of funds for the year ended December 31, 1965. In our opinion the statement presents fairly the sources and applications of funds for the year.

GUNN, ROBERTS AND CO.  
Chartered Accountants.

Toronto, Canada  
May 27, 1966



